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Message Text

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PAGE 01 NEW DE 11019 270438Z
ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 COME-00 TRSE-00 AID-05
CIAE-00 INR-10 NSAE-00 AGRE-00 /034 W
----------083705 270444Z /11/13
R 191131Z JUL 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 2864
INFO AMEMBASSY ROME

UNCLAS NEW DELHI 11019

C O R R E C T E D C O P Y (TEXT PARA FOUR)

ROME FOR FODAG

E.O. 11652: N/A
TAGS: EIND,EPAP, IN
SUBJECT: FALL IN PRICES OF TEA

FOLLOWING SENT ACTION NEW DELHI INFO
BOMBAY, MADRAS AND
COLOMBO FROMNCALCUTTA JULY 19TH REPEATED TO YOU:

QUOTE:

CALCUTTQ 1268

E.O. 11652: NA
TAGS: EIND EPAP IN
SUBJECT: FALL IN PRICES OF TEA

1. THE TEA TRADE AND INDUSTRY ARE CONCERNED ABOUT
THE ALMOST CONTINUOUS FALL IN TEA PRICES AND LOW
EXPORTS IN RECENT MONTHS. THE UNION COMMERCE MINISTER
MOHAN DHARIA'S REPORTED STATEMENTRULING OUT A REVISION
IN THE EXPORT DUTY OF RS 5 PER KG, IN THE NEAR FUTURE
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IS REPORTED TO HAVE DEPRESSED INDUSTRY CIRCLES FUTHER.

2. DOMESTIC PRICES OF TEA THIS YEAR ARE CONSIDERABLY
LOWER THAN LAST YEAR: THE AVERAGE PRICE REALIZED AT
THE CALCUTTA AUCTIONS DURING THE PERIOD APRIL 1 THROUGH
JUNE 30, 1978 WAS RS 13.70 PER KG COMPARED WITH RS 16.63
PER KG FOR THE CORRESPONDING PERIOD OF 1977.

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3. ASIDE FROM LOWER PRICES, THE TEA TRADE AND INDUSTRY ARE CONCERNED

AT THE LOW EXPORT OF TEA IN THECURRENT SEASON. IN APRIL 1978 TOTAL EXPORTS AMOUNTED TO 6.23 MILLION KG VALUED AR RS 127.4 MILLION AGAINST 7.15 MILLION KG VALUED AT RS 189.8 MILLION DURING THE CORRESPONDING PERIOD OF LAST YEAR. EXPORTS DURING MAY AND JUNE 1978 ARE ALSO REPORTEDLY CONSIDERABLY LOWER THAN THE EXPORTS DURING THE SAME MONTHS OF 1977.

4. DEMAND FOR TEA FROM THE U.K., WHICH IS ONE OF THE LARGEST BUYERS OF INDIAN TEA, IS LOW. ITS PURCHASES DROPPED FROM 3.85 MILLION KG TO 122,000 KG DURING THE PERIOD JANUARY-MAY 1977 AND 1978 RESPECTIVELY. THE REASON FOR THIS ARE REPORTED TO BE THE EXPORT DUTY OF RS 5 PER KG, POOR QUALITY OF INDIAN TEA(THE SECOND FLUSH CROP IS SUBSTANDARD OWING TO ALTERNATE SPELLS OF DROUGHT AND EXCESS RAIN IN THE PRODUCTION AREAS), AND ADEQUATE STOCKS IN LONDON.

5. AT THE CURRENT RATE OF SALE THE TOTAL
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EXPORT IN CY 1978 MAY NOT EXCEED 150 MILLION KG. THE CROP THIS YEAR IS LIKELY TO BE APPROXIMATELY 550 MILLION KG. THUS, RETENTION OF TEA FOR THE DOMESTIC MARKET COULD
TOTAL 400 MILLION KG.
COMPARED TO 343 MILLION KG FOR CY 1977 WHEN OUT-PUT WAS 563 MILLION KG. AND EXPORTS WERE 220 MILLIONG KG. THIS MAY LEAD TO A FUTHER FALL IN TEA PRICES.

6. MR. J.K. JAUHAR, A DIRECTOR OF J. THOMAS & IN. COMMENTED THAT DHARIA " HAS NOT CATEGORICALLY SAID THAT THE EXPORT DUTY WILL NOT BE REVISED". UN-CERTAINLY ABOUT THE EXPORT DUTY, AND THE DECLA-RATION OF TEA AS AN ESSENTIAL COMMODITY, WHICH IMPOSES A STOCK LIMIT OF 1000 KG ON RETAILERS, HAS MADE THE TEA MARKET, " WEAKING SPECULATIVE". HE SAID THAT THE QUALITY OF THE SECOND FLUSH IS NOT VERY GOOD "BUT EVEN SO IT WAS SELLING VERY CHEAP". HE EXPECTS " A BETTER MARKET FOR INDIAN TEA AROUND SEPTEMBER WHEN PRICES ARE LIKELY TO FIRM UP".

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